



4th QUARTER
INTERIM REPORT

2012

Beginning of the Interim Report Period:	1.1.2012
End of the Interim Report Period:	31.12.2012
Beginning of the financial year:	1.1.2012
End of the financial year:	31.12.2012
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Auditor:	AS PricewaterhouseCoopers

SKANO
GROUP

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OUTLINE

Skano Group AS is engaged in the manufacture of building materials, retail trade of furniture and furnishing as well as manufacture of furniture. Skano Furniture Division and Skano Fibreboard Divisions are the business units of Skano Group AS.

Skano Fibreboard produces and distributes two independent softboard-based product categories: fibre-boards for insulation and soundproofing, and interior finishing panels for walls and ceilings.

Skano Furniture consists of a furniture retail store chain operating in Ukraine and the Baltics and a furniture factory in Pärnu producing original, above the average price level home furniture made of timber.

The principal markets of the company are Scandinavia, Russia, Great Britain and the Baltics. The long-term customers and co-operation partners of Skano Group AS are distinguished representatives of their respective fields.

The shares of Skano Group AS have been listed on Tallinn Stock Exchange since 5 June 1997. On 19 September 2007, the division of Skano Group AS took place and the shares of separated production enterprise have been listed again in the main list of Tallinn Stock Exchange according to the decision of Tallinn Stock Exchange Listing Committee as of 20 September 2007 and trading with the shares commenced on 25 September 2007. The majority owner of Skano Group AS is OÜ Trigon Wood.

Largest shareholders of OÜ Trigon Wood and the entities with significant influence over the Group are: AS Trigon Capital, Veikko Laine Oy, Hermitage Eesti OÜ, Thominvest Oy and SEB's Finnish costumers.



MANAGEMENT REPORT

FOURTH QUARTER IN SHORT

Consolidated net sales of the fourth quarter of 2012 was 4.9 mil. euros, representing a 2% increase on the fourth quarter compared to the same period in 2011. At the same time, consolidated EBITDA amounted to 178 thousand euros (83 thousand euros in Q4 2011).

The sales in Skano Pärnu fibreboard factory (incl. Isotex) increased as compared to the respective period last year by 10%, the operating loss decreased 10% and operating loss amounted to 80 thousand euros.

The turnover of Skano Püssi fibreboard factory was 822 thousand euros and operating loss 139 thousand euros. The priority of the management of the enterprise is continuously to ensure the sales of the production of Skano Püssi fibreboard factory in order to guarantee the maximum production capacity and efforts are taken in this direction on an on-going basis. In addition to efforts regarding the sales volumes we are constantly working on raising the production efficiency of the factory. We have raised the maximum speed of the production line and thereby lowered the cost price of products.

The turnover of Skano furniture factory in Pärnu decreased by 5% and the operating profit by 26% as compared to the same period last year, and the operating profit was 120 thousand euros.

The turnover of Skano furniture retail chain increased by 12% as compared to the same period last year being 707 thousand euros and the operating profit was 34 thousand euros containing loss from currency exchange rate of hryvnia 32 thousand euros. The sales of Skano Group AS own furniture still forms a considerable part of the retail sale and it enables the furniture factory to operate much more profitably than it would be possible without its own retail chain.

INCOME STATEMENT

Consolidated net sales of the fourth quarter in 2012 was 4.9 mil. euros (4.8 mil. euros in same period of 2011) representing a 2% increase on the fourth quarter compared to Q4 2011. The Group's gross margin in the fourth quarter of 2012 was 15.9% compared to 14.9% in the fourth quarter of 2011. Consolidated operating loss amounted to 46 thousand euros (loss 134 thousand euros from main activities in same period 2011). The consolidated operating margin of net sales was -1% (-3% from main activities in Q4 2011).

Consolidated net loss amounted to 110 thousand euros (compared to net loss 210 thousand euros in Q4 2011), and the net margin was -2% (-4% in Q4 2011).

POSITION OF FINANCIAL STATEMENT

As of 31.12.2012 the total assets of Skano Group AS amounted to 15.5 mil. euros (31.12.2011: 16.0 mil. euros). The liabilities of the company accounted for 51.6% (31.12.2011: 51.8%) thereof, i.e. 8 mil. euros (31.12.2011: 8.3 mil. euros).

Receivables and prepayments have increased by 0.1 mil. euros i.e. 7% increase with 12 months. The reason of increase of receivables is small sales in December 2011, which essentially lowered the amount of receivables at the end of December.

Inventories increased by 0.1 mil. euros to reach 3.3 mil. euros on 31.12.2012. (31.12.2011: 3.2 mil. euros). Property, plant and intangibles decreased by 0.7 mil. euros mainly as a result of depreciation.



Short-term loans increased by 0.4 mil. euros and amounted to 1.8 mil. euros in 31.12.2012 (31.12.2011: 1.4 mil. euros) as a result of re-classification part of long-term loan into short-term loan. Supplier payables, tax liabilities, other payables, including payables to employees, and provisions amounted to 1.9 mil. euros (31.12.2011: 2.1 mil. euros). Current and non-current liabilities decreased by 0.3 mil. euros to 8.0 mil. euros (31.12.2011: 8.3 mil. euros).



DIVISIONAL REVIEW:

NET SALES BY BUSINESS SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q4 2012	Q4 2011	Q4 2012	Q4 2011
Skano Fibreboard	2,606	2,414	52.8%	50.1%
Skano Furniture factory	1,930	2,026	39.1%	42.1%
Skano Furniture retail	707	631	14.3%	13.1%
Elimination	(312)	(255)	(6.2%)	(5.3%)
TOTAL	4,931	4,816	100.0%	100.0%

NET SALES BY GEOGRAPHICAL SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q4 2012	Q4 2011	Q4 2012	Q4 2011
Russia	1,444	1,297	29.3%	26.9%
Finland	1,174	1,454	23.8%	30.2%
Estonia	674	506	13.7%	10.5%
Great Britain	456	526	9.2%	10.9%
Nederland	268	179	5.4%	3.7%
Ukraine	257	282	5.2%	5.9%
Latvia	134	95	2.7%	2.0%
Sweden	116	135	2.4%	2.8%
Lithuania	108	103	2.2%	2.1%
India	74	17	1.5%	0.4%
Denmark	39	39	0.8%	0.8%
Kazakhstan	38	74	0.8%	1.5%
Other countries	149	109	3.0%	2.3%
TOTAL	4,931	4,816	100.0%	100.0%

Regarding the markets, turnover has increased in Russia, Estonia, Latvia and Nederland. The percentage of turnover has decreased in most in Finland.

PROFIT BY BUSINESS SEGMENTS

<i>th EUR</i>	Q4 2012	Q4 2011
Skano Furniture factory	120	162
Skano Furniture retail	34	59
Skano Fibreboard	(220)	(347)
Elimination	20	(8)
TOTAL	(46)	(134)
Net financial costs	(61)	(73)
Income tax	(3)	(3)
NET PROFIT	(110)	(210)



SKANO FIBREBOARD

The net sales of Skano Fibreboard in the fourth quarter of 2012 amounted to 2.6 mil. euros and operating loss to 220 thousand euros. In the same period last year, the turnover of the division totaled to 2.4 mil. euros and the operating loss from main activities 347 thousand euros. Sales in Finland, which is one the most important markets to us decreased by 31%. Such a decline in the fourth quarter was due to high comparison basis in the fourth quarter of 2011 when an aggressive marketing campaign was launched in Finland. In spite of the decline in Finland, overall sales of Skano Fibreboard increased by 192 thousand euros i.e. 8% mainly due to increased client base.

NET SALES BY GEOGRAPHICAL SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q4 2012	Q4 2011	Q4 2012	Q4 2011
Russia	594	403	22.8%	16.7%
Finland	463	669	17.8%	27.7%
Great Britain	456	526	17.5%	21.8%
Estonia	366	290	14.0%	12.0%
Nederland	268	179	10.3%	7.4%
Sweden	116	135	4.5%	5.6%
India	74	17	2.8%	0.7%
Latvia	46	15	1.8%	0.6%
Denmark	39	39	1.5%	1.6%
Ukraine	39	25	1.5%	1.0%
Germany	17	7	0.7%	0.3%
Other countries	128	109	4.8%	4.6%
TOTAL	2,606	2,414	100.0%	100.0%

The biggest growth has been in sales to Russia, Estonia and Nederland. The percentage of sales into Finland decreased significantly.

<i>th EUR</i>	Net sales		Profit	
	Q4 2012	Q4 2011	Q4 2012	Q4 2011
Pärnu Fibreboard factory	1,285	1,224	(74)	(47)
Püssi Fibreboard factory	822	814	(139)	(260)
Pärnu interior boards factory (Isotex)	477	375	(6)	(41)
Not allocated	22	1	(1)	1
TOTAL	2,606	2,414	(220)	(347)

The net sales of the Pärnu Fibreboard factory and interiors boards line increased 10% in the fourth quarter of 2012 compared to the same quarter of 2011 and amounted to 1.8 mil. euros.

The turnover of Püssi fibreboard factory amounted to 822 thousand euros and operating loss amounted to 139 thousand euros. The main question is still weak sales volumes of Püssi Fibreboard factory. In the fourth quarter Püssi factory was operated at 70% of its capacity.

It is also important to note that due to high fixed costs, the factory must be, for a profitable outcome, operated at as high capacity as possible, which shall ensure a lower average cost of the product. Presently, the cost price considerably higher than the optimum is greatly caused by technological standstills and reconstruction of equipment in order to ensure better efficiency.



We are still confident that purchasing of the Püssi was a very good decision in the medium term and after introducing of significant technological and procedural changes in the factory we succeed in reducing the cost price more than we had expected before the purchase of the factory.



SKANO FURNITURE

FURNITURE RETAIL SALES

Skano Group AS retail business is operated by a private limited company Skano Furniture OÜ and its subsidiaries in Latvia, Lithuania and Ukraine. Skano has totally 9 stores in Tallinn (2), Pärnu, Riga, Vilnius, Kiev, Donetsk, Kharkiv and Dnipropetrovs'k at the end of the fourth quarter.

RETAIL SALES BY COUNTRIES

	<i>th EUR</i>		<i>% of net sales</i>		<i>Number of stores</i>	
	Q4 2012	Q4 2011	Q4 2012	Q4 2011	31.12.12	31.12.11
Estonia	292	197	41.3%	31.2%	3	3
Latvia	88	80	12.4%	12.7%	1	1
Lithuania	109	97	15.4%	15.4%	1	1
Ukraine	218	257	30.9%	40.7%	4	6
TOTAL	707	631	100.0%	100.0%	9	11

The furniture retail sale has reached to the profitable sales level, and it results with profit 34 thousand euros in the fourth quarter 2012. Loss from currency exchange rate of hryvnia was 32 thousand euros.

FURNITURE PRODUCTION

The net sales of the Furniture Factory in the fourth quarter amounted to 1.9 mil. euros and profit to 120 thousand euros. In the same period last year, the turnover of the factory totaled to 2.0 mil. euros and the profit 162 thousand euros. As compared to the previous year the turnover of the factory has decreased 96 thousand euros and the operating profit has decreased 42 thousand euros.

FURNITURE FACTORY SALES BY COUNTRIES

	<i>th EUR</i>		<i>% of net sales</i>	
	Q4 2012	Q4 2011	Q4 2012	Q4 2011
Russia	850	894	44.0%	44.1%
Finland	711	785	36.8%	38.7%
Kazakhstan	38	74	2.0%	3.7%
Estonia	16	19	0.8%	0.9%
Other countries	25	0	1.3%	0.0%
Subsidiaries	290	254	15.1%	12.6%
TOTAL	1,930	2,026	100.0%	100.0%



FORECAST AND DEVELOPMENT

SKANO FIBREBOARD. The main production line of Pärnu Fibreboard factory is operating at reduced capacity in the first quarter of 2013. Production lines of Isotex interior finishing boards use one or two shifts as necessary. Due to low demand Püssi factory is operating at approximately of 60-70% of its capacity in the first quarter of the year 2013.

We expect significant sales growth for H2 2013, mostly from CIS and Finland. Russian and CIS sales volumes have been growing steadily over the past years and we expect this to continue in 2013. In 2012 our sales in Finland saw a sharp decline, largely due to us choosing the wrong distribution partner. We have changed our distribution partner at the end of 2012 and plan to significantly add to our marketing efforts in Finland in 2013. We have also signed a strategic cooperation agreement in Finland, which if implemented successfully, will allow us to increase the output of Püssi factory significantly in second half of 2013. We also expect this to help us our Pärnu factory reach higher capacity utilization and as a result of this, expect the whole production process to become more efficient, lead to lower average production price and higher sales volumes in H2 2013

SKANO FURNITURE RETAIL SALES. We expect retail sale in the first quarter of 2013 to remain the same level compared to the same period of last year.

SKANO FURNITURE FACTORY. In the first quarter of 2013 we expect small decrease in sales of the furniture factory compared to the same period in 2012.

INVESTMENTS

During 12 months of 2012 investments into fixed assets amounted to a total of 0,3 mil euros. In the same period of 2011 investments amounted to 7,2 mil euros.

PEOPLE

At 31 December 2012 Concern employed 358 people (369 people in the same time at the last year). The average number of personnel in 2012 was 362 (2011: 351).

In the 12 months of 2012, wages and salaries amounted to 4.6 mil. euros (4.4 mil. euros in the same period of the last year).

Payments made to management and supervisory board members with relevant taxes:

<i>th EUR</i>	12 m 2012	12 m 2011
Board member and other remuneration	225	235
Social tax and unemployment insurance premiums	75	78
TOTAL	300	312



FINANCIAL HIGHLIGHTS

<i>th EUR</i>	12 m 2012	12 m 2011	12 m 2010
Income statement			
Revenue	19,080	17,330	13,929
EBITDA	1,040	3,436	1,430
EBITDA margin	5.5%	19.8%	10.3%
Operating profit	74	2,759	887
Operating margin	0.4%	15.9%	6.4%
Net profit	(201)	2,565	771
Net margin	(1.1%)	14.8%	5.5%
Balance sheet (31.12)			
Total assets	15,471	15,950	9,115
Return on assets	(1.3%)	16.1%	8.5%
Equity	7,482	7,693	5,331
Return on equity	(2.7%)	33.3%	14.5%
Debt-to-equity ratio	51.6%	51.8%	41.5%
Share (31.12)			
Closing price	1.24	1.62	1.44
Earnings per share	(0.04)	0.57	0.17
Price-earnings ratio	(31)	2.84	8.47
Book value of a share	1.66	1.71	1.18
Market to book ratio	0.75	0.95	1.22
Market capitalization	5,579	7,288	6,479

EBITDA = Earnings before interest, taxes, depreciation and amortization

EBITDA margin = EBITDA / Revenue

Operating margin = Operating profit / Revenue

Net margin = Net profit / Revenue

Return on assets = Net profit / Total assets

Return on equity = Net profit / Equity

Debt-to-equity ratio = Liabilities / Total assets

Earnings per share = Net profit / Total shares

Price-earnings ratio = Closing price / Earnings per share

Book value of a share = Equity / Total shares

Market to book ratio = Closing price / Book value of a share

Market capitalization = Closing price * Total shares



FINANCIAL RISKS

INTEREST RATE RISK

Skano Group AS's interest rate risk depends, above all, on changes in EURIBOR (Euro Interbank Offered Rate) because most of its loans are linked to EURIBOR. At 31 December 2012, 6 months' EURIBOR was 0.320 and at 31 December 2011 1.617. Interest rates are reviewed on the basis of changes in EURIBOR every year on 30 November and 30 May.

The interest rate risk also depends on the overall economic situation in Estonia and on changes in the banks' average interest rates. Skano Group AS has a cash flow risk arising from the interest rate risk because most loans have a floating interest rate. Management believes that the cash flow risk is not significant. Therefore, no hedging instruments are used.

CURRENCY RISK

The foreign exchange risk is the risk that the company may have significant loss as a result of fluctuating foreign exchange rates. Currency risk increases with the increase of the number of stores of Skano due to the use of local currencies in the market. Subsidiaries assets and liabilities outside Estonia are subject to currency risk and mainly due to subsidiary in Ukraine. Skano Group AS's foreign currency risk from other operations is low because most export-import contracts are nominated in euros.

RISK OF THE ECONOMIC ENVIRONMENT

The risk of the economic environment for the Fiberboard Division depends on general developments in the construction market; the risk for Furniture Division depends on the expectations of the customers towards economic welfare in future. According recent process of world economy the risk of economic environment has increased significantly.

FAIR VALUE

The management estimates, that the fair values of cash, accounts payable, short-term loans and borrowings do not materially differ from their carrying amounts. The fair values of long-term loans do not materially differ from their carrying amounts because their interest rates correspond to the interest rate risks prevailing on the market.



GROUP STRUCTURE

SHARES IN SUBSIDIARIES

	Skano Furniture OÜ	OÜ Isotex	SIA Skano	UAB Skano LT	TOV Skano Ukraina
Country of location	Estonia	Estonia	Latvia	Lithuania	Ukraine
Number of shares at 31.12.2011	1	1	1	100	1
Ownership at 31.12.2011 (%)	100	100	100	100	100
Number of shares at 31.12.2012	1	1	1	100	1
Ownership at 31.12.2012 (%)	100	100	100	100	100

Skano Furniture OÜ is engaged with the retail trade of furniture in Estonia. The company owns three furniture stores – one in Järve Keskus in Tallinn, one in Rocca Al Mare Kaubanduskeskus in Tallinn and one on the first floor of the headquarters of Skano Group AS in Pärnu. OÜ Skano Furniture holds 100% of the shares in enterprises SIA Skano, UAB Skano LT and TOV Skano Ukraina.

SIA Skano is engaged in the retail sale of furniture in Latvia, Riga since November 2005. UAB Skano LT started in May 2007 and retail of furniture in Vilnius. TOV Skano Ukraina started in June 2007 and retail of furniture in Kharkiv, Kiev, Donetsk and Dnipropetrovs'k.

OÜ Isotex was established to allow former division to operate independently under their own trademarks and to facilitate their development. In connection with restructuring, use of the subsidiary has been abandoned. OÜ Isotex did not have any operations in the financial year 2012 and 2011.



FINANCIAL STATEMENTS DECLARATION OF THE MANAGEMENT BOARD

The Management Board of Skano Group AS is prepared consolidated unaudited Interim Report for the 4th quarter of 2012, which is presented on pages 4 to 26 have been correctly prepared, and represents and warrants that to the best of their knowledge:

- the accounting policies applied in the preparation of the consolidated financial statements comply with International Financial Reporting Standards as adopted by the European Union;
- the consolidated financial statements give a true and fair view of the financial positions of the Group and Skano Group AS and the results of their operations and their cash flows;
- the management report presents true and fair view of significant events that took place during the accounting period and their impact to financial statements and includes the description of major risks and doubts;
- Skano Group AS and its subsidiaries are going concerns.

Chairman of Management board

Andres Kivistik

Member of Management board

Martin Kalle

Member of Management board

Gert Kuus

27th of February 2013



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>th EUR</i>	31.12.2012	31.12.2011
Cash and bank	158	206
Receivables and prepayments (Note 1)	1,792	1,674
Inventories (Note 2)	3,303	3,177
Total current assets	5,253	5,057
Investment property (Note 3)	185	185
Tangible fixed assets (Note 4)	10,010	10,692
Intangible fixed assets (Note 5)	23	16
Total fixed assets	10,218	10,893
TOTAL ASSETS	15,471	15,950
Debt obligations (Note 6)	1,845	1,380
Payables and prepayments (Note 7)	1,923	2,137
Short-term provisions (Note 8)	12	11
Total current liabilities	3,780	3,528
Non-current debt obligations (Note 6)	3,973	4,490
Non-current provisions (Note 8)	236	239
Total non-current liabilities	4,209	4,729
Total liabilities	7,989	8,257
Share capital at nominal value (Note 9)	2,699	2,699
Issue premium	364	364
Statutory capital reserve	288	288
Currency translation	(21)	(11)
Retained profits	4,353	1,788
Net profit (loss) for the year (Note 10)	(201)	2,565
Total equity	7,482	7,693
TOTAL LIABILITIES AND EQUITY	15,471	15,950



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>th EUR</i>	4th q 2012	4th q 2011	2012	2011
RETURN ON SALES (Note 11)	4,931	4,816	19,080	17,330
Cost of production sold	(4,148)	(4,097)	(16,050)	(14,119)
Gross profit	783	719	3,030	3,211
Marketing expenses	(638)	(683)	(2,389)	(2,383)
General administrative expenses	(161)	(184)	(546)	(532)
Other income	32	60	163	2,621*
Other expenses	(62)	(46)	(184)	(158)
Operating profit (loss) (Note 11)	(46)	(134)	74	2,759
Financial income and financial expenses	(61)	(73)	(258)	(187)
Profit (loss) before taxes	(107)	(207)	(184)	2,572
Prepaid income tax	(3)	(3)	(17)	(7)
NET PROFIT (LOSS) FOR THE PERIOD	(110)	(210)	(201)	2,565
Basic earnings per share (Note 10)	(0.02)	0.05	(0.04)	0.57
Diluted earnings per share (Note 10)	(0.02)	0.05	(0.04)	0.57
Currency translation differences	(10)	(18)	(10)	(27)
TOTAL COMPREHENSIVE INCOME	(120)	(228)	(211)	2,538

* The other income 2011 includes the gain from a bargain purchase 2,455 th. euros.



CONSOLIDATED CASH FLOW STATEMENT

<i>th EUR</i>	2012	2011
Cash flow from operations		
Net profit before taxes	(184)	2,572
<i>Adjustments for:</i>		
Depreciation of fixed assets (Note 4; 5)	966	677
Loss on disposals of fixed assets (Note 4)	14	20
Acquired through business combinations (Note 4)	0	(2,455)
Interest expense	259	188
Operating profit before changes in operating capital	1,055	1,002
Change in operations-related receivables and prepayments (Note 1)	(118)	(476)
Change in inventories (Note 2)	(126)	(693)
Change in operations-related liabilities and prepayments	(215)	719
Cash generated from operations	596	552
Interest paid	(259)	(188)
Income tax	(17)	(7)
Total cash flow from operations	320	357
Cash flow from investments		
Acquisition of fixed assets (Note 4; 5)	(305)	(4,713)
Total cash flow from investments	(305)	(4,713)
Cash flow from financing activities		
Raise a loan (Note 6)	122	5,905
Repayment of loans (Note 6)	(142)	(1,899)
Settlement of finance lease liabilities (Note 6)	(33)	(252)
Decrease the share capital	0	(176)
Total cash flow from financing activities	(53)	3,578
TOTAL CASH FLOW	(38)	(778)
Currency translation differences	(10)	(27)
CASH AT BEGINNING OF PERIOD	206	1,011
CASH AT END OF PERIOD	158	206



CONSOLIDATED STATEMENT OF CHANGES EQUITY

<i>th EUR</i>	Share capital	Share premium	Statutory capital reserve	Currency translation	Retained earnings	Total
Balance at 31.12.2010	2,875	364	288	16	1,788	5,331
Decrease the share capital	(176)	0	0	0	0	(176)
Comprehensive income in 2011	0	0	0	(27)	2,565	2,538
Balance at 31.12.2011	2,699	364	288	(11)	4,353	7,693
Comprehensive income in 2012	0	0	0	(10)	(201)	(211)
Balance at 31.12.2012	2,699	364	288	(21)	4,152	7,482



NOTES TO THE CONSOLIDATED INTERIM REPORT

ACCOUNTING POLICIES AND MEASUREMENT BASES

The consolidated financial statements prepared for the period ended 31 December 2012 include the financial information of the Company and its subsidiaries (together referred to as the Group): Skano Furniture OÜ, OÜ Isotex and Skano Furniture OÜ's wholly-owned subsidiaries SIA Skano, UAB Skano LT and TOV Skano Ukraina. The Group manufactures and distributes furniture and softboard made of wood.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The same accounting policies were applied for both the Interim Report and the Annual Report for the financial year that ended on 31.12.2011. The consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34: Interim Financial Reporting.

According to the assessment of the Management Board, Skano Group AS is a going concern and the Interim Report for the 4th quarter of 2012 gives a true and fair view of the financial position of Skano Group AS and the results of its operations. The present Interim Report has not been audited.

The Interim Report has been presented in thousands of euros.

NOTE 1 RECEIVABLES AND PREPAYMENTS

<i>th EUR</i>	31.12.2012	31.12.2011
Customer receivables	1,443	1,257
Prepaid taxes	279	327
Other receivables	23	33
Prepaid services	47	57
TOTAL	1,792	1,674

NOTE 2 INVENTORIES

<i>th EUR</i>	31.12.2012	31.12.2011
Raw materials and other materials	1,012	918
Work-in-progress: production	570	508
Work-in-progress: real estate development	214	214
Finished goods	1,269	1,293
Goods purchased for resale	171	167
Goods in transit	45	74
Prepayments to suppliers	22	3
TOTAL	3,303	3,177



In 2012, materials were written off in the amount of 5 thousand euros (2011: 3 thousand euros).

In 2012, finished goods were written off in the amount of 6 thousand euros (2011: 29 thousand euros).

Work-in-progress: real estate development

At 31 December 2012, work-in-progress: real estate development comprised the old Sports goods division real property (buildings and land ca 20,000 m²) located at Rääma street 31, what is covered with development contract.

Work-in-progress: real estate development was stated at the lower of cost and fair value less costs to sell. Work-in-progress: real estate development was stated at the costs 214 thousand euros (31.12.2011: 214 thousand euros).

NOTE 3 INVESTMENT PROPERTY

	<i>th EUR</i>
Cost at 31.12.2010	469
Accumulated depreciation at 31.12.2010	(284)
Net book amount at 31.12.2010	185
Cost at 31.12.2011	469
Accumulated depreciation at 31.12.2011	(284)
Net book amount at 31.12.2011	185
Cost at 31.12.2012	469
Accumulated depreciation at 31.12.2012	(284)
Net book amount at 31.12.2012	185

Costs of maintenance for 2012 were 8 thousand euros (2011: 20 thousand euros). Rental income from investment properties for 2012 were 6 thousand euros (2011: 6 thousand euros). Depreciation of investment property has been ceased because the estimated residual values of the investment properties exceed their carrying amounts.

NOTE 4 TANGIBLE FIXED ASSETS

<i>th EUR</i>	31.12.2012	31.12.2011
Land	226	226
Buildings and constructions	2,710	2,886
Machinery, plant and equipment	7,015	7,481
Other equipment and fixtures	24	40
Construction in progress	35	59
TOTAL	10,010	10,692



	<i>Th EUR</i>
Cost at 31.12.2010	12,240
Accumulated depreciation at 31.12.2010	(8,023)
Net book amount at 31.12.2010	4,217
Acquired in 2011	4,713
Acquired through business combinations in 2011	2,455
Write-off in 2011	(189)
Depreciation in 2011	(673)
Write-off of accumulated amortization in 2011	169
Cost at 31.12.2012	19,219
Accumulated depreciation at 31.12.2012	(8,527)
Net book amount at 31.12.2012	10,692
Acquired in 2012*	293
Write-off in 2012	(112)
Depreciation in 2012	(961)
Write-off of accumulated amortization in 2012	98
Cost at 31.12.2012	19,400
Accumulated depreciation at 31.12.2012	(9,390)
Net book amount at 31.12.2012	10,010

*On the 31st of December the binding liabilities of acquiring the tangible assets are 27 thousand euros.

NOTE 5 INTANGIBLE FIXED ASSETS

	<i>th EUR</i>
Cost at 31.12.2010	94
Accumulated depreciation at 31.12.2010	(74)
Net book amount at 31.12.2010	20
Depreciation in 2011	(4)
Cost at 31.12.2011	94
Accumulated depreciation at 31.12.2011	(78)
Net book amount at 31.12.2011	16
Acquired in 2012	12
Write-off in 2012	(16)
Depreciation in 2012	(5)
Write-off of accumulated amortization in 2012	16
Cost at 31.12.2012	90
Accumulated depreciation at 31.12.2012	(67)
Net book amount at 31.12.2012	23

Intangible assets include computer software not directly linked to the hardware.



NOTE 6 DEBT OBLIGATIONS

<i>th EUR</i>	31.12.2012	31.12.2011
Current liabilities	1,845	1,380
incl non-convertible debt	29	33
Non-current debt obligations	3,973	4,490
incl non-convertible debt	39	67
TOTAL	5,818	5,870

NOTE 7 PAYABLES AND PREPAYMENTS

<i>th EUR</i>	31.12.2012	31.12.2011
Supplier payables	1,033	1,116
Payables to employees	301	389
Taxes payables	321	303
Other payables	141	138
Customer prepayments	127	191
TOTAL	1,923	2,137

NOTE 8 PROVISIONS

	<i>th EUR</i>
Balance at 31.12.2010	206
Incl current portion	8
non-current portion	198
Movements in 2011:	
used during the year	(24)
increased during the year	52
Interest cost	16
Balance at 31.12.2011	250
Incl current portion	11
non-current portion	239
Movements in 2012:	
used during the year	(24)
increased during the year	9
Interest cost	13
Balance at 31.12.2012	248
Incl current portion	12
non-current portion	236

Provisions relate to the compensations for loss of working capacity of former employees after work accidents. The total amount of the provision has been estimated considering the number



of persons receiving the compensation, extent of their disability, their former level of salary, level of pension payments, and estimations of the remaining period of payments.

NOTE 9 SHARE CAPITAL

	Number of shares	Share capital
	<i>pcs</i>	<i>th EUR</i>
Balance 31.12.2012	4,499,061	2,699
Balance 31.12.2011	4,499,061	2,699

The share capital of Skano Group AS totaled 2,699,436.60 euros that were made up of 4,499,061 shares with the nominal value of 0.60 euros each; the maximum share capital outlined in the Articles of Association is 10,797,744 euros. Each ordinary share grants its owner one vote in the General Meeting of Shareholders and the right to receive dividends.

In 2011 and 2012, the dividends were not distributed.

As at 31.12.2012, the Group had 619 shareholders (31.12.2011: 632 shareholders) of which with more than 5% ownership interest were:

- Trigon Wood OÜ with 2,682,192 shares or 59.62% (31.12.2011: 59.62%)

The number of shares owned by the members of the Management Board and Supervisory Board of Skano Group AS was as follows:

- Ülo Adamson 0 shares (2011: 0 shares)
- Joakim Johan Helenius 20,000 shares (2011: 20,000 shares)
- Heiti Riisberg 50,000 shares (2011: 50,000 shares)
- Pekka Armas Soikkeli 0 shares (2011: 0 shares)
- Andres Kivistik 0 shares (2011: 0 shares)
- Einar Pähkel 0 shares (2011: 0 shares)

The Supervisory Board of Skano Group AS was convened on January 21, 2013 and has recalled Einar Pähkel from the Management Board. The new Management board members are:

- Martin Kalle 0 shares (2011: 0 shares)
- Gert Kuus 0 shares (2011: 0 shares)

NOTE 10 EARNINGS PER SHARE

<i>EUR</i>	31.12.2012	31.12.2011
Basic earnings per share	(0.04)	0.57
Diluted earnings per share	(0.04)	0.57
Book value of share	1.66	1.71
Price/earnings ratio (P/E)	(31.00)	2.84
Closing price of the share of Skano Group AS on Tallinn Stock Exchange at 31.12*	1.24	1.62

Basic earnings per share have been calculated by dividing the net profit(loss) for the reporting period with the number of shares:

Basic earnings per share for 2012 = (200,626) / 4,499,061 = (0.04) euros

Basic earnings per share for 2011 = 2,564,910 / 4,499,061 = 0.57 euros

Diluted earnings per share equal the basic earnings per share because the Group does not have any potential ordinary shares with a dilutive effect on the earnings per share.



Price/earnings ratio (P/E) for 2012 = 1.24/(0.04) = (31.00)

Price/earnings ratio (P/E) for 2011 = 1.62/0.57 = 2.84

* The share of Skano Group AS has been listed on Tallinn Stock Exchange starting from 25.09.2007.

NOTE 11 SEGMENTS

Operating segments have been determined based on the reports reviewed by the management board that are used to make strategic decision. The management board considers the business based on the types of products and services as follows:

Skano Fibreboard (FB) manufactures and sells to wholesale customers general construction boards based on soft woodfibre boards, and interior finishing boards. The fibreboard factories are located in Estonia.

Skano Furniture factory (FF) is engaged in the production and wholesales of household furniture. The factory is located in Estonia.

Skano Furniture retail (FR) is engaged in retail sales of furniture in Estonia, Latvia, Lithuania and Ukraine.

The secondary segment of the Group is defined according to the geographical location of customers.

BUSINESS SEGMENT BY THE TYPES OF PRODUCT/SERVICE – PRIMARY SEGMENT:

th EUR	Furniture factory		Furniture retail		Fibreboard		Eliminations		SEGMENTS TOTAL	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Revenue from external customers	6,131	6,419	2,384	2,002	10,565	8,909	0	0	19,080	17,330
Inter-segment revenue	1,025	917	0	0	111	0	0	0	1,136	917
Operating profit/loss	575	635	95	(93)	(626)	2,226	30	(9)	74	2,759
Segment assets	3,967	4,042	619	710	10,927	11,253	(42)	(55)	15,471	15,950
Segment liabilities	1,028	1,891	213	222	6,748	6,144	0	0	7,989	8,257



BUSINESS SEGMENT BY THE GEOGRAPHICAL LOCATION OF CUSTOMERS – SECONDARY SEGMENT:

<i>th EUR</i>	2012				2011			
	FF	FR	FB	TOTAL	FF	FR	FB	TOTAL
Russia	3,255	0	2,423	5,678	3,158	0	1,428	4,586
Finland	2,652	0	2,479	5,131	2,987	0	3,545	6,532
Estonia	46	945	1,677	2,668	68	683	1,634	2,385
Great Britain	0	0	1,557	1,557	0	0	720	720
Ukraina	0	752	126	878	0	720	72	792
Netherlands	0	0	701	701	0	0	179	179
Latvia	0	306	330	636	0	224	136	360
Sweden	0	0	513	513	0	0	482	482
Lithuania	0	381	92	473	0	375	32	407
Denmark	0	0	133	133	0	0	153	153
India	0	0	129	129	0	0	96	96
Kazakhstan	114	0	0	114	194	0	9	203
Germany	1	0	106	107	0	0	84	84
Belorussia	63	0	0	63	12	0	14	26
Greece	0	0	56	56	0	0	36	36
China	0	0	29	29	0	0	32	32
Israel	0	0	25	25	0	0	55	55
France	0	0	23	23	0	0	16	16
Japan	0	0	16	16	0	0	36	36
Singapore	0	0	13	13	0	0	0	0
Bulgaria	0	0	12	12	0	0	108	108
Ireland	0	0	11	11	0	0	0	0
Other countries	0	0	114	114	0	0	42	42
TOTAL	6,131	2,384	10,565	19,080	6,419	2,002	8,909	17,330

NOTE 12 RELATED PARTY TRANSACTIONS

The following parties are considered to be related parties:

- Parent company OÜ Trigon Wood and owners of the parent company;
- Other entities in the same consolidation group;
- Members of the Management, the Management Board and the Supervisory Board of Skano Group AS Group and their close relatives;
- Entities under the control of the members of the Management Board and Supervisory Board;
- Individuals with significant ownership unless these individuals lack the opportunity to exert significant influence over the business decisions of the Group.

Largest shareholder of OÜ Trigon Wood and the entities with significant influence over the Group are: AS Trigon Capital (30.13%), Veikko Laine Oy (26.49%), Hermitage Eesti OÜ (12.64%), Thominvest Oy (11.94%) and SEB's Finnish costumers (10.96%).

The benefits paid to the members of the Management and Supervisory Board of all entities in the same consolidation group including taxes:



<i>th EUR</i>	2012	2011
Board member and other remuneration	225	234
Social tax	75	78
TOTAL	300	312

According to the contracts entered into, the members of the Management Board of Skano Group AS will receive severance pay amounting to 6-month remuneration.

In 2011 and 2012, there were no transactions between the related parties.

